

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6272

BILL NUMBER: SB 169

NOTE PREPARED: Apr 29, 2013

BILL AMENDED: Apr 24, 2013

SUBJECT: Fire Insurance Proceeds Set-Aside.

FIRST AUTHOR: Sen. Head

FIRST SPONSOR: Rep. Lehman

BILL STATUS: Enrolled

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill applies the law concerning insurance proceeds escrow deposits (law) to all cities and towns, phased in over three years. The bill defines "department" and "final settlement" for purposes of the law. It specifies requirements for application of the law. The bill also requires the Department of Insurance to maintain a list of municipalities electing governance under the law and sets a one-time fee for electing municipalities. The bill specifies maximum amounts to be set aside and costs for which the proceeds may be used by a municipality. This bill also repeals a definition made obsolete by the bill.

Effective Date: July 1, 2013.

Explanation of State Expenditures: Under the bill, the Department of Insurance (DOI) would be required to maintain the required list of municipalities, distribute this list to all insurers transacting property insurance in the state, make the list available on the Internet, and specify the effective date of each addition of a municipality on the list (as well as provide notifications specified in the bill).

The DOI reports the provisions of the bill can be accomplished under existing funding levels. Maintaining the list required in the bill is expected to have no additional fiscal impact.

Explanation of State Revenues: Under the bill, in order to be included in the list maintained by the DOI, each municipality that wishes to participate is required to pay a one-time fee of \$100.

The Indiana State Board of Accounts reports the following local government make-up of the state.

Status and Population	Class	Number
250,000 +	First Class	1
35,000 - 249,999	Second Class	19
Less than 35,000	Third Class	99
Other municipalities of any population	Towns	447

The current definition of “city” for purposes of insurance proceeds set-asides (IC 27-2-15) is limited to the cities of Gary and Hammond. Because the bill repeals this definition of “city”, any city or municipality could elect to be included in the list maintained by the DOI. Therefore, a total of 566 cities and towns could elect to be included in the DOI list.

If 10% of these eligible cities and towns elect to be included on this list, the DOI could receive approximately \$5,700 annually to implement the requirements of the bill.

Explanation of Local Expenditures: Under the bill, local municipalities would be required to submit a notification to the DOI to receive insurance proceeds for damages to buildings or structures caused by a fire or explosion. Increases in local workload are expected to be minimal.

Under the bill, the costs of being included on the list maintained by the DOI is a one-time fee of \$100 per municipality. As a result, local expenditures for municipalities that elect to be included on this list could increase by \$100 per municipality that is interested in receiving insurance set aside funds for damaged buildings.

Explanation of Local Revenues: The bill could result in local governments receiving insurance proceeds to recoup certain costs incurred for demolition or rehabilitation of damages to a building or structure caused by a fire or explosion. Under the bill, local governments included on the DOI’s list would receive the lesser of 10% of the available insurance proceeds (if any), an amount equal to the certified amount, or \$7,000 for a residential and \$15,000 for a nonresidential building or structure. The specific impact will depend on the number and nature of damages caused by fire or explosions.

State Agencies Affected: DOI.

Local Agencies Affected: Municipalities.

Information Sources: Indiana State Board of Accounts; Logan Harrison, DOI.

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